

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 SS-15 TRSE-00 EB-07 L-03 COME-00 FEA-01

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APPROVED BY D:RSINGERSOLL

EA/EP:AGEBER TREASURY/OFAC:

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EA/VN:RHWENZEL SSOMMERFIELD

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EA:RHMILLER

EA/LEDMOND (DRAFT)

COMMERCE BIC/ABROSNAN

EB/EWT:RPRACHT S/S:JPMOFFAT

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FM SECSTATE WASHDC

TO AMEMBASSY SINGAPORE

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY DACCA

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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TAGS: ESTC, ENRG, VN, SN

SUBJECT: PETROLEUM EXPLORATION ON VIET-NAM'S CONTINENTAL
SHELF

REF: SINGAPORE 1910

1. THE DEPARTMENT IS WELL AWARE THAT U.S. PETROLEUM COMPANIES THINK THAT THEY MIGHT LOSE CONCESSION BLOCKS ON VIET-NAM'S CONTINENTAL SHELF UNLESS THEY "BEGIN NEGOTIATIONS WITH THE PRG." THE CONCERN OF THE U.S. COMPANIES IS LIKELY BASED ON THE INDUSTRY ASSUMPTION THAT SOUTH VIET-NAM'S SOUTH CHINA SEA CONTINENTAL SHELF IS ONE OF THE MOST PROMISING NEW AREAS IN THE WORLD AS WELL AS ON RECENT STATEMENTS BY ALLEGED PRG SPOKESMEN THAT THE PRG MIGHT BE READY TO RENEGOTIATE CONCESSION TERMS WITH PETROLEUM FIRMS, REGARDLESS OF NATIONALITY.

2. THE FOLLOWING IS PROVIDED IN RESPONSE TO INQUIRIES BY THESE COMPANIES:

A. RECOGNITION - WE HAVE NOT MADE A DECISION AS TO OUR FUTURE POLITICAL RELATIONSHIP WITH THE NEW AUTHORITIES IN SAIGON. WE WILL HAVE TO SEE WHAT TYPE OF

GOVERNMENT EMERGES AND WHAT DEGREE OF INDEPENDENCE IT MIGHT HAVE.

B. TRADE AND FINANCIAL RESTRICTIONS - THE TRADE AND FINANCIAL RESTRICTIONS APPLICABLE TO NORTH VIET-NAM HAVE BEEN APPLIED TO SOUTH VIET-NAM. THESE RESTRICTIONS EFFECTIVELY PRECLUDE A U.S. FIRM FROM ENGAGING IN ANY TRADE OR FINANCIAL RELATIONSHIP WITH NORTH OR SOUTH VIET-NAM, UNLESS LICENSED BY THE U.S. COMMERCE OR TREASURY DEPARTMENTS.

C. RESUMED EXPLORATION - IT IS UNLIKELY THAT THE NEW AUTHORITIES WOULD BE READY TO NEGOTIATE WITH THE OIL COMPANIES IN THE NEAR TERM. FOR EXAMPLE, THE NORTH VIETNAMESE HAVE NOT YET DEMONSTRATED ANY REAL INTEREST IN DEALING WITH CAPITALIST ORGANIZATIONS. IN LIMITED OFFICIAL USE
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THIS REGARD IT SHOULD BE NOTED THAT ITALY'S ENI AND JAPANESE FIRMS WERE APPARENTLY UNSUCCESSFUL IN THEIR EFFORTS TO NEGOTIATE CONCESSION ARRANGEMENTS FOR EXPLORATION IN NORTH VIET-NAM'S TONKIN GULF.

D. TACTICS - WE BELIEVE THAT ENERGETIC PURSUIT OF THE COMMUNIST AUTHORITIES IN SAIGON BY THE OIL COMPANIES AT THE PRESENT TIME WILL NOT ENHANCE THE COMPANIES' POSITION. SHOULD THE SAIGON AUTHORITIES WISH TO PURSUE THE MATTER, THEY ARE CAPABLE OF MAKING DIRECT APPROACHES

THROUGH APPROPRIATE CHANNELS.

E. JOINT VENTURES AND FOREIGN AFFILIATES - WE EXPECT THAT JOINT VENTURES ABROAD OR FOREIGN AFFILIATES OF SOME OF THE COMPANIES WILL TRY TO NEGOTIATE WITH THE AUTHORITIES IN SAIGON OR DIRECTLY WITH HANOI. WE QUESTION WHETHER THEY WILL HAVE ANY SUBSTANTIAL SUCCESS. U.S. COMPANIES SHOULD BE AWARE THAT THEY MAY BE SUBJECT TO PENALTIES UNDER THE FOREIGN ASSETS CONTROL REGULATIONS SHOULD THEY PARTICIPATE IN JOINT VENTURES FOR EXPLORATION IN VIETNAMESE WATERS W/O TREASURY LICENSE. FOREIGN COMPANIES CONTROLLED BY AMERICAN COMPANIES ARE ALSO SUBJECT TO THE REGULATIONS.

3. PLEASE REFER THE COMPANIES TO EA/VN IN STATE FOR GUIDANCE ON RELATIONS WITH VIET-NAM AND TO THE OFFICE OF FOREIGN ASSETS CONTROLS IN TREASURY FOR GUIDANCE ON TREASURY REGULATIONS.

4. THE DEPARTMENT HAS PROVIDED EXXON, MOBIL, MARATHON, UNION TEXAS, CITIES SERVICE, AND SHELL, WITH GUIDANCE BASED ON THE ABOVE. KISSINGER

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